

Original Article

The Effect of Financial Literature and Management Capabilities on Operational Performance; Smes During the Covid-19 Pandemic

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Abstract - This study aims to determine the effect of managerial skills and financial literacy on the operational performance of SMEs in Banyumas Regency during the Covid-19 Pandemic 2020. The population in this study are all Small, and Medium Enterprises (SMEs) engaged in Banyumas Regency. The sampling technique used is proportionate stratified sampling. Samples are taken based on the Slovin formula as many as 100 respondents. The data collection technique is done by using a questionnaire. The data analysis technique in this research used multiple regression analysis through SPSS software. The results of this study indicate that: (1) managerial skill has a positive effect on the operational performance of SMEs during the Covid-19 Pandemic, (2) financial literacy has a positive effect on the operational performance of SMEs during the Covid-19 Pandemic.

Keywords - managerial skills, financial literacy, the operational performance of SMEs, Covid-19 Pandemic

I. INTRODUCTION

MSMEs are productive economic activities owned by individuals and small-scale business entities. Although on a small scale, the contribution made by MSMEs to Indonesia's macroeconomy is very large and crucial. MSMEs showed several quite large contributions through the expansion of employment and employment, the formation of the national Gross Domestic Product (GDP), and non-oil and gas export contributors. In 2018 seen based on the total national workforce, the workforce absorbed by MSMEs was 97,1%. The ability of MSMEs to absorb labor is a good signal for the workforce because of the wide opening of job opportunities.

The decline in purchasing power and turnover is a major problem for MSMEs. MSME profits have fallen drastically. This hinders the achievement of MSME operational performance. At the same time, operational performance is an aspect that determines the success of an SME in the increasingly fierce competition in the business world. Operational performance is all work results obtained from

business activities in certain periods to realize the goals of the organization or company (Harahap, 2014 in Komaludin and Wahid, 2017). The indicators in Komaludin and Wahid's research (2017) are the ability to increase turnover, increase customers, increase profits, and others. The level of operational performance achieved by MSMEs is influenced by several factors, including education level, managerial ability, and financial literacy.

Managerial ability is a factor that affects the operational performance of SMEs. Zakiyah (Kasi for Micro and Informal Sector Development of the Tegal Regency Office of Trade, Cooperatives, and MSMEs) said that during the Covid-19 pandemic, MSME actors had to adapt to the situation quickly. The business adaptation in question is that MSME actors must find ways so that their business can bounce back (www.jateng.tribunnews.com). In this case, managerial skills are needed so that MSMEs can continue to survive in the midst of the Covid-19 Pandemic. Purnandary and Handayani (2019), in their research, stated that managerial abilities include the ability to make their own decisions, the ability to solve business problems, and the ability to make strategic business plans. The results of his research prove that managerial ability has a positive effect on business performance at the Cihideung Ornamental Plant Center, West Bandung Regency. Research conducted by Cahyono and Suhada (2016) also states that managerial ability has a positive effect on the performance of MSMEs in Metro City. Meanwhile, the research conducted by Komaludin and Wahid (2017) showed different results that the managerial ability factor did not affect the operational performance of MSME furniture in the City of Tasikmalaya. This is because the furniture business in Tasikmalaya City is a hereditary business, so there are not too many changes in running their business.

The next factor that influences the operational performance of MSMEs is financial literacy. Since the Covid-19 Pandemic, many MSMEs have suffered losses because operational activities do not run normally, but the



burden continues to grow. In addition, financial literacy among MSME actors is still low. Their focus is only on profit, not yet on proper financial management.

Yanti (2019), in her research, proves that financial literacy has a positive effect on the performance of MSMEs in the North Moyo District, Sumbawa Regency. This research is in line with research conducted by Chepngetich (2016) that financial literacy affects the performance of MSMEs in Uasin Gishu County, Kenya. However, the two studies are not in line with Wahyuni's (2020) research which states that financial literacy has no effect on the business performance of MSMEs in Trenggalek Regency. This is because MSME actors in Trenggalek Regency have not been able to implement financial literacy. Knowledge of financial concepts has not been applied in their attitudes and skills in managing business finances.

The population used in this study is only SMEs in Banyumas Regency. This research only focuses on Small and Medium Enterprises (SMEs) because based on research by Fatoki (2014) in Rochmadi (2019), it is explained that financial literacy is not applied to most micro-enterprises because the micro-business actors do not have an adequate understanding of accounting

II. LITERATURE REVIEW

A. Attribution Theory

The Attribution Theory proposed by Fritz Heider (1958) in Suardana and Musmini (2020) is a theory that explains the behavior of a person who argues that a person's behavior is influenced by a combination of internal and external factors. The behavior of SMEs in determining operational performance is influenced by several factors, namely: internal and external factors. Internal factors in this study used variables of managerial ability and financial literacy. At the same time, the external factor in this research is the Covid-19 pandemic.

During the Covid-19 Pandemic, managerial ability is a factor that is needed by SMEs in making decisions, solving business problems, and making strategic business plans in order to maintain their business and be able to face competitors. At the same time, financial literacy is a factor where SMEs need to have the ability or knowledge to manage their finances so that their business is sustainable.

It can be concluded that the use of Attribution Theory in this study is the basis for looking at the behavior of SME actors in improving operational performance during the Covid-19 Pandemic with the influencing variables, namely managerial ability and financial literacy.

B. Covid-19 pandemic

a) Definition of Covid-19 Pandemic

Coronavirus disease 2019 (Covid-19) is a new disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) or commonly referred to as the

Coronavirus (www.alodokter.com). The disease was designated as a Pandemic as the Covid-19 Pandemic because it was an Extraordinary Event (KLB) that occurred throughout the world, including Indonesia.

b) Impact of the Covid-19 Pandemic

The LIPI Economic Research Center has conducted a Rapid Assessment Survey on the Impact of the COVID-19 Pandemic on the Performance of Indonesian MSMEs. The survey results show a decline in MSME performance by up to 94.69%. Based on the business scale, length of business, and sales method, the decline in sales reached more than 75%. Business actors perceive that if the pandemic does not end soon, MSMEs are vulnerable to closing their businesses.

C. Definition of Small and Medium Enterprises (SMEs)

The classification of SMEs based on turnover according to the Ministry of Cooperatives and Small and Medium Enterprises (SMEs) is as follows:

- 1) A small business is a business that has a turnover of less than Rp. 1,000,000,000.00 (one billion rupiah) per year.
- 2) A medium-sized business is a business that has a turnover of more than Rp. 1,000,000,000 (one billion rupiah) up to Rp. 50,000,000,000 (fifty billion rupiah) per year.

D. Operational Performance

Komaludin and Wahid (2017) say that operational performance is measured using several indicators, namely the ability to increase profits, the ability to increase turnover, the ability to increase customers, the ability to repay loans, and the ability to develop capital.

E. Managerial Ability

Managerial ability, according to Sembiring (2016), is the ability used in managing and utilizing existing resources to achieve predetermined goals. Business actors must dare to make decisions, dare to take risks, be able to solve problems, and be able to make strategic business plans by utilizing their creativity, finding product innovations, and ways to market products by utilizing technology (Purnandary and Handayani, 2019).

F. Financial Literacy

According to The Association of Chartered Certified Accountants (2014) in Aribawa (2016) defines the concept of financial literacy as covering knowledge of financial concepts, the ability to understand communication about financial concepts, expertise in managing personal or company finances, and the ability to make financial decisions based on certain conditions. Financial literacy is considered important by Chepngetich (2016) in his research because it can help investors by providing knowledge and understanding that can be used to evaluate company performance and assist in making the right decisions according to the conditions that occur.

III. RESEARCH METHODOLOGY

This research was conducted using a quantitative approach. The scope of the research includes managerial ability, financial literacy, and operational performance of Small and Medium Enterprises (SMEs) in Banyumas Regency during the Covid-19 Pandemic.

The subjects of this research are Small and Medium Enterprises (SMEs) in Banyumas Regency, Central Java. The study was conducted for eight months. The population in this study were all Small and Medium Enterprises (SMEs) in Banyumas Regency, Central Java.

This research was conducted on all Small and Medium Enterprises (SMEs) in Banyumas Regency, Central Java. The objects in this study include managerial ability, financial literacy, and operational performance of Small and Medium Enterprises (SMEs) in Banyumas Regency during the Covid-19 Pandemic.

A population is a group of people, events, or interesting things that have the criteria that researchers want to study and then draw conclusions (Sekaran and Bougie, 2016: 236). The population in this study were all Small and Medium Enterprises (SMEs) in Banyumas Regency.

IV. RESULT

A. Description of respondents by Gender

This research was conducted on Small and Medium Enterprises (SMEs) in Banyumas Regency during the Covid-19 Pandemic. This research was conducted by taking data by proportionate stratified sampling. 100 samples taken in this study were mostly MSMEs owned by men, namely 64 people or 64 percent. There are 36 samples, or 36 percent of the samples are women; this means that the owners of MSMEs are not only owned by men but also by women. Male dominance shows that managing MSMEs owned by a family tends to be done by men.

B. Description of respondents by Age

Most of the respondents are 20-30 years old. This means that many MSME actors are still young, as many as 34 percent. This shows that many MSMEs have just been established by their young owners.

C. Description of respondents based on Education

Most of the respondents have a high school education/equivalent as much as 43 percent. This means that many MSME actors have secondary education. There is 27 percent of respondents with a bachelor's degree in education, and this shows that respondents with higher education are also interested in starting a business from SMEs.

D. Description of performance variables

Most of the respondents have MSME performance with profit growth of less than Rp. 100,000,000.00, which is as much as 80 percent. There are MSMEs that experience an

increase in profits between Rp. 100,000,000.00 to Rp. 300,000,000.00. There is an increase in profit performance of more than Rp. 300,000,000.00, which is as much as 4 percent. This shows that most of the existing MSMEs still have lower performance than others who have performed with an increase in profits of more than 300 million.

E. Description of managerial Ability Variable

Most of the respondents answered the managerial ability variable with a score of 4 or agreed, by 36 percent. There is 17.42 percent which answered strongly agree, meaning that respondents have good and very good perceptions of managerial abilities. A good perception of managerial ability means that MSME entrepreneurs have good performance to run their business.

F. Description of Financial Literacy Variables

Most of the respondents answered the financial literacy variable with a score of 4 or agreed, which was 35.64 percent. There is 17.73 percent which answered strongly agree, meaning that respondents have a good and very good perception of financial literacy. A good perception of financial literacy means that MSME entrepreneurs have sufficient knowledge about financial management in good micro and small businesses to manage their company's finances.

V. DISCUSSION

A. Validity test

a) The results of the validity test of the managerial ability variable

The validity test was carried out using the product-moment correlation technique. The test used is a one-ended test, which uses one right side or the positive side because the validity test results must be positive with a significance of less than 0.05. correlation values ranged from 0.780 to 0.894. The significance value is less than 0.05, so it meets the validity test requirements. This means that for all indicators used in the variables, the managerial ability is valid.

b) The results of the validity test of the financial literacy variable

Correlation values ranged from 0.780 to 0.894. The significance value is less than 0.05, so it meets the validity test requirements. This means that all indicators used in the financial literacy variable are valid.

B. Reliability test results

The reliability test was carried out using the Cronbach alpha technique. Cronbach's alpha values ranged from 0.961 and 0.944. The reliability value is more than 0.6, so the research variable has fulfilled the research variable reliability requirements.

C) Normality test results

Normality test was carried out by Kolmogorov Smirnov Z test. Kolmogorov Smirnov's Z value is 0.081. The significance value is 0.106. This indicates that the data used in the regression analysis is normally distributed, resulting in residual values from the regression, which are normally distributed as well.

D. Regression Analysis

The partial effect of the constant value is 9.998, meaning that the value of the company's performance as measured by an increase in profits is 9.998 if the value of managerial performance and financial literacy is zero. This means that the company still has the potential to generate profits if the manager does not have managerial skills and also does not have financial literacy. The constant significance value of 0.000 means that the company still has good or profitable performance if the manager does not have managerial skills and financial literacy.

The regression coefficient value of the managerial ability variable is 0.100. The value is positive, meaning that the better the managerial ability, the higher the performance of MSMEs. The t-count value is 9.993 with a significance value of 0.000, meaning that there is a significant positive effect of managerial ability on the performance of MSMEs.

The regression coefficient value of the financial literacy variable is 0.062. This value is positive, meaning that the more financial literacy, the higher the performance of MSMEs. The t-count value is 4.604 with a significance of 0.000, meaning that there is a significant positive effect of financial literacy on the performance of MSMEs.

E. Influence together

The effect test was jointly carried out with the F test. The results of the F test obtained an F Table of 95,875. The significance value is 0.000. This means that the research variables consisting of managerial ability and financial literacy have a significant effect on the performance of MSMEs together.

F. Coefficient of Determination

The value of the coefficient of determination (R^2) is 0.664, meaning that 66.4 percent of the variation in MSME performance can be explained by variations in managerial ability and financial literacy. This shows that the two research variables used are able to predict the performance of MSMEs with the ability to predict 66.4 percent of the accuracy.

VI. CONCLUSION

A. Conclusion

1. The managerial ability has a positive effect on the operational performance of SMEs in Banyumas Regency during the Covid-19 Pandemic
2. Financial literacy has a positive effect on the operational performance of SMEs in Banyumas Regency during the Covid-19 Pandemic

B. Suggestion

There need to be activities to improve managerial skills and financial literacy for MSME entrepreneurs, especially those who still have low managerial abilities and lack the financial literacy to improve their MSME performance.

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